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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2340



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## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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CEMA MULTILATERAL SCIENTIFIC-TECHNICAL COOPERATION DETAILED

East Berlin AW--DDR-AUSSENWIRTSCHAFT in German Vol 10 No 40, 29 Sep 82 pp 1, 2

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Main Points of Emphasis of Multilateral Scientific-Technical Cooperation in CEMA"]

[Text] The results of the by now 20-year-old multilateral scientific-technical cooperation effort among the CEMA countries are convincing. Since the adoption of the CEMA complex program alone, about 20,000 theoretical and applied research and development projects have been completed.

With the transition to mostly intensive development of social production in the CEMA countries, we now face higher requirements in terms of the quality and effectiveness of scientific-technical cooperation. A criterion of evaluating this cooperative effort is the concrete contribution of science and technology to this process, it was observed on that score by Guri Marchuk, chairman, CEMA Committee for Scientific-Technical Cooperation in the CEMA Information Bulletin. Complex scientific-technical, production-engineering, and commercial cooperation among the CEMA countries is considered the best way to guarantee the closed cycle of science--technology--production--sales and this is also the way considerably to increase the effectiveness of cooperation for the benefit of the community of socialist states. Coordination of scientific-technical policy between the interested CEMA countries assumes special significance during the current phase. It serves the goal--it was emphasized at the 35th CEMA Conference--to combine efforts concerned with those development projects which are of primary significance for the national economy and for the accelerated transfer of results into production.

The following are included among the most important problems on which cooperation in science and technology will be concentrated over the next several years:

Development and use of control and regulation equipment for production processes, creation of a uniform and unified basis of electronic elements, of special materials and technological equipment for electronics and microelectronics, as well as the development and broad use of microprocessor technique in the national economy;

Development and use of new progressive technological processes and equipment for the energy sector which will guarantee the efficient employment and the economically justifiable expenditure of fuels and energy particularly in energy-intensive production sectors and in the energy industry as well as greater involvement of secondary resources in the economic cycle;

Development and use of new highly-productive machine systems and equipment, including industrial robots which will reduce the expenditure of manual labor in the national economy, especially in transportation, storage, and auxiliary functions;

Completion of existing and development of new technological processes and equipment for the more profound cracking of petroleum, for a significantly higher yield of light [clear] petroleum products and the more effective use of this raw material;

Development and use of new as well as perfection of existing methods and technical means for effective processing of coal into liquid, gaseous, and more easily transportable solid fuels;

Increase in livestock production on an industrial scale, including development of the fodder base and machine systems for complex mechanization of agriculture on the foundation of highly-productive technologies as well as for the efficient processing of agricultural food raw materials.

Cooperation in the solution of these problems must from the very beginning include the entire science--technology--production--sales cycle.

Several significant agreements have already been signed to accomplish these major tasks at the 35th and 36th conferences of the CEMA, such as the following:

The government-level agreement on the creation of a uniform and unified basis of products of electronic technology, of technological special equipment, as well as semiconductor materials and special raw materials for their production;

The government-level agreement on specialization and cooperation in the production of products of the microelectronic component basis for computer technology equipment as well as materials and technological equipment for microelectronics;

The general agreement on cooperation in the development and comprehensive use of microprocessor technique in the national economy as well as

The general agreement on the development of specialization and cooperation in the production of industrial robots.

The priority tasks in science and technology were expressed in the coordinated plan of multilateral integration measures for 1981-1985 which contains 13 corresponding projects that are to lead to practical results in the national economies already during this 5-year plan. They concern among other things the development:

Of MHD (magnetohydrodynamic) energy converters whose use is supposed to increase the efficiency of thermal power plants to 50-60 percent and which, compared to the currently best power plants, is to facilitate a 20-25-percent saving of organic fuels;

Of new effective methods for the conversion of solar, chemical, wind, and geothermal energy into electrical, thermal, and mechanical energy as well as the development of the corresponding plants;

Of progressive technological processes and equipment for energy-intensive production sectors, the transportation industry and the communal economy as well as the development of less energy-consuming processes;

And of the perfection of technological processes and equipment for the deep-cracking of petroleum which by 1985 are to make it possible to increase the yield of light petroleum products by 10 million tons;

Of technologies for the effective processing of coal into liquid, gaseous, and more easily transportable fuels;

Of more effective corrosion protection for metals;

Of technological processes for powder metallurgy;

Of technological processes and equipment for the mechanization and automation of transloading and storage processes.

In solving these problems, we will make wider use of such proven forms of cooperation as the establishment of temporary international teams of researchers and specialists at leading research installations in the CEMA countries.

#### Facts and Figures

The CEMA Standing Commission for Scientific-Technical Research Coordination was established on the basis of a resolution of the 16th (Special) Conference of the CEMA in 1962; in 1971 it was reorganized into the CEMA Committee on Scientific-Technical Cooperation on the basis of a resolution of the 25th Council Conference. This body organizes and coordinates planned scientific-technical cooperation on a multilateral basis.

Between 1970 and the beginning of the 1980's, the number of scientific-technical organizations involved in multilateral cooperation grew from 1,300 to 3,000.

The solution of scientific-technical problems became a firm component of the coordinated plans of multilateral integration measures of the CEMA countries. The 1976-1980 plan included 17 such major tasks. In this context, around 450 of the research and development projects most important to the national economy were completed.

In 1970, about 600 topic complexes were processed together or on a basis of division of labor; in 1981, the number was 1,200. Since the adoption of the complex program, about 20,000 theoretical and applied research and development projects have been completed.

More than 130 scientific-technical prognoses were completed in the context of the CEMA.

As a result of multilateral cooperation, the following are being developed, improved, and perfected annually:

200-300 machines, instruments, and equipment units,

100-150 technological processes as well as

100-200 materials and preparations.

Presently, more than 200 agreements and contracts on joint research, development, design, and experimental projects are in effect.

As of now, 63 national scientific installations in the CEMA countries perform the function of coordinating centers for multilateral scientific-technical cooperation in selected problem groups, including 37 in the USSR, five, each, in Czechoslovakia, the Hungarian People's Republic, the Romanian People's Republic, and the Polish People's Republic, four in the GDR, and two in the Bulgarian People's Republic.

5058

CSO: 2300/41



CRITICAL REVIEW OF ECONOMIC REFORM PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 40, 24 Oct 82 pp 1, 4, 5

[Article by Zdzislaw Sadowski: "Conditions to Effective Operations," an abridged, revised text of a paper presented 11 October 1982 at the scientific conference "Reform -- Production -- Market," sponsored by the Higher School of Social Sciences of the PZPR Central Committee. Emphasis originating with the editors given in slant lines.]

[Text] The effectiveness of the changes constituting the reform of the system of functioning of the economy in Poland depends on a group of factors, among which those features of the condition of the society, the state, and the economy under which the reform is being introduced are of fundamental significance. We have long been calling this condition a "deep crisis." The direct barriers and others stemming from the crisis, however, do not specify either the actions undertaken or people's attitudes in any unequivocal way.

For this reason I will not describe these barriers directly. Instead I shall look at them in terms of the three major factors which determine the course of the implementation of the reform. They are:

- political will,
- social attitudes,
- the quality of the solutions introduced.

The structure and method by which these factors exert an influence should be very clearly defined, with no effort to avoid what is unpleasant.

Political Will

I put this factor first, because the existence of the political will to implement any reform is the basic condition to its implementation.

In Poland there is a clear political will to implement economic reform, but it is running into decidedly adverse economic, sociopolitical, and psychological conditions. This is a historical paradox: in the past there

have been far more favorable conditions more than once, but there was never the consistent political desire to introduce changes. Now just the opposite is true.

Why just now is there the political will which was previously missing? This follows mainly from the experience which has been accumulated. An awareness of the need for change has been growing up for several years, but the economic crisis and workers' protest of 1980 thrust an especially severe light on what happened in the past and made it possible to understand the need for profound changes. The old system of the economy's functioning in Poland on the basis of autarkic economic management with the aid of order and distribution methods led to a complete breakdown. This was not just the result of incidental decisions but of a long process which came to a head. The defects in the orders and distribution system appeared with increasing force as the economic structure became more and more complicated at its increasingly higher level of development, because undoubtedly the development progressed and led both to a general rise in the prosperity of the society and to a tremendous expansion of the production system. This would have been a success had it not been for the fact that there was simultaneously a greater manifestation of negative features which had been accumulating and building up in the economy for many years: imbalance, the absence of internal complementarity, the inability to inculcate scientific-technical progress and innovation, and the lack of effectiveness of operation in all sectors of the economic process.

The economic system operated in a manner which was devastating to economic effectiveness. Despite the use of the slogan and instruments of central planning, it was unable to create a coordinated policy of production development. Even the growth of social wealth occurred in an irrational fashion. What was created was an illusion of a wealth greater than that which fit the country's capabilities, because there was no mechanism in operation to adjust prices on a current basis. On behalf of the alleged good of the society, the state applied the instrument of budget subsidies more and more, ultimately on a completely inadmissible scale. Attempts made periodically to get out of this situation only led to social unrest. On the other hand, the attempt to support the tottering economy with the massive importation of modern technology only proved the system's complete inability either to handle the imports rationally or to absorb them in a way enabling it to get going in the direction of improving the competitive stance of Polish industry on the world market. This led to the disastrous indebtedness to foreign capitalist countries and to the economy's strangling itself in the process.

Against this backdrop the process of the reform of the economy has two major aspects. First, it is a struggle for an effective socialist economy, for the assurance of truly rational central planning and the effective operation of all economic units. Second, it is simultaneously linked to drawing the economy out of a state of profound material and financial dispersion and the society out of a state of moral fragmentation.

Besides official declarations, the chief confirmation of the existence of a decisive political will for reform is the very advanced state of the process of basic legal-institutional changes. Another sphere in which this will is evident is that of current decisions in the realm of social and economic policy as well as all the separate actions of the bodies of authority and power. These decisions and actions are an ongoing check on this will. Hence, the question of how consistent and cohesive these decisions and actions are in terms of the targets of the reform is important.

/There are two major limitations which keep officials' actions from being entirely consistent./

One stems from the fact that the actions of officials are not equally consistent at all levels and in all bodies of the administration, and they cannot be. The pressure of current problems, on the one hand, and, on the other hand, becoming accustomed to administration and the difficulty of facing new forms and ways of proceeding, along with the human reluctance to change, lead in various instances to actions which are absolutely contrary to the general line of change. This occurs, for example, in the area of changes in organizational structures, where the implementation of a program to eliminate a bureaucratic hierarchy of management runs into difficulties and distortions owing to the superior bodies' habituation, whether in the ministry scheme, in the regional network, or even in the cooperative system, to the leadership privileges and authority previously available and to the use of an indirect management echelon, which also had its privileges and authority. /Informal systems of human relationships sometimes turn out to be stronger than the legal regulations in effect./

The second limitation stems from the fact that in a crisis situation the authorities daily face the problem of choosing between making rational decisions aimed at lessening the crisis though unpopular or even clearly disagreeable to the society (such as price adjustments, rationalization of employment, the elimination of ineffective enterprises, the interruption of investments, and various measures in the realm of sociopolitical solutions) and submitting to social pressures on behalf of easing the atmosphere (for example, by slowing price increases, increasing subsidies, a liberal attitude to employment growth, the expansion of social benefits, and so on). /There is a clear conflict between the requirements of economic logic for getting out of the crisis and the need to ease the effects of the crisis for the society this very day/, even if this applies only to the economically weakest groups. /This conflict leads under the pressure of the situation to compromises and to a certain extent to actions which delay the economy's getting onto the track of development./

This dilemma ultimately stems from the features of the socialist system. The socialist state after all cannot say that it does not care at all about a sudden decline in the citizens' standard of living, tell them to take care of themselves, and busy itself with the brutal rationalization

of employment, prices, and income. It must to some extent fulfill its social welfare function which it has assumed. In this there is a great problems, perhaps the major one for the times in which we are living. It is this: How to conceive of the justice of social distribution of income under socialism? What degree of social egalitarianism should be considered appropriate, and in view of it what should the distribution policy be structured? How should the scope and form of the state's welfare function be defined? How can we separate the state's social activity from the production activity of the enterprises? Until there are clear answers to these questions, we cannot expect entirely consistent action on the part of the authorities.

The authorities are even more pressured by social demands and complaints in that the centralized system created an unhealthy situation in which the authorities assumed responsibility for everything that happened, for every detail of daily life. This was a sphere of responsibility which put the authorities in a very disadvantageous position vis-a-vis the society. On the other hand, when the authorities cannot discharge the duties to society which it has assumed, then the society develops an antagonistic attitude to them.

#### Social Attitudes

The present authorities in Poland are dealing with social attitudes which have been largely determined by the past. Under a centralized system the society has been accustomed not to identifying with the state but only with obtaining everything from the state. The crisis in the economy therefore was bound to be associated with the manifestation of a conflict between the society and the authorities.

This conflict makes the authorities' consistent efforts at reform tremendously difficult, because a substantial proportion of the society does not recognize the political will to be genuine, and it easily suspects that the changes made are fictitious or a facade, and it interprets any difficulties or inconsistencies in this tremendously complicated process of change as proof of the ill will of the authorities.

This state of the attitudes of the society explains why the economic reform based on the ideas of liberating the creative active stance of working people for the purpose of an increase in production, effectiveness, and healthy conditions for living together in society is not enjoying the social support which we might theoretically expect. It is true that last year the general slogan of the reform received broad, even enthusiastic, social support, but there is a great deal of resistance, both open and covert, to the process of implementing it.

The attitude of the society, the sociopolitical atmosphere vis-a-vis the reform, is undoubtedly today the basic problem among the conditions to the process of implementation, because the reform is not something external, outside social behavior, something automatic the authentic positioning and

mobilization of which will bring about an end to the crisis and the effective functioning of the economy. The reform is the opening up of new possibilities for operating, but people must see these possibilities, understand them, and desire to avail themselves of them.

Today social attitudes towards the reform are being shaped by several factors.

First, social support for the concept of the reform appeared in the form of excessive expectations not based on a real understanding of either its content or its capabilities. Because the /concept of the reform/ came to birth as /the result of a great crisis,/ in the public mind it became a remedy for all ailments. Its application was to produce immediate changes for the better. This impression by bolstered by the demagoguery waged in the past by both certain representatives of the opposition and by certain spokesmen of the authorities, as well as the mass media, but the reform is a process which from the beginning we knew could not produce an immediate improvement in the economic situation but only help bring about this improvement in time. Given the excessive hopes, the absence of visible improvement is producing a sense of failure.

Second, the crisis, which had the force of a natural disaster, produced effects in the form of a very great decline in the society's standard of living. The social opposition of 1980 came to fruition during the next year in a phenomenon unprecedented in world economic history: a 25-percent increase in the population's cash income adjacent to a decline in the absolute size of production approximating 20 percent, and therefore a tremendous inflationary gap. It is a basic economic theorem that when it is impossible to fill the gap by a rapid increase in the supply of goods, there must be a drastic increase in prices, because the only alternative is the complete disappearance of goods on the market and the creation of a black market, which cannot be combatted using administrative means. For many years, however, the Polish society had been brought up without any understanding of this issue at all. It had become accustomed to the notion that the state had taken upon itself the role of maintaining low prices through budget subsidies.

In other countries there is a public outcry against burdening the budget with subsidies, because the people know that the subsidies come out of taxes. /But in Poland the subsidies are still being treated overall by the society as the perfect remedy to the difficulties of everyday life. This is the way the matter is viewed by both consumers and producers. The society does not realize that it bears the costs of these subsidies itself./

The price increase had to occur regardless of the reform, as the result of the crisis, but it is not meeting with understanding on the part of the public. The price increase is being treated as a cost of the reform, which in turn creates the basis for the society's adverse attitude to the government's actions, including the reform.



This cannot be held against society. The crisis was bound to evoke a sense of bitter failure insofar as the socialist economic system was concerned, along with mistrust concerning the possibilities for reforming it. /But now people have to learn that this is not a crisis of the regime but a crisis in the specific forms of its operation and that the reform can create new forms to operate effectively and rationally./

Third, the implementation of the reform began under martial law. /For a substantial share of the society martial law has been a traumatic, frustrating experience, with the shattering of romantic notions about so-called "true democracy." This was solidified by mistrust as to the future and therefore also as to the economic reform, which was correctly seen as an element of the overall democratization of public life./

Fourth, delays and distortions occurred in the very process of the reform's implementation. Even at the beginning the public did not understand (and still does not) that the implementation of the reform would basically take several years of transition, during which new systems solutions would be accumulated and improved as they were monitored in the course of practical experience. During the transition period there must be detailed solutions adapted to the requirements of the crisis situation and not to the concept of the reform. This applies in particular to the distribution of a number of scarce products and materials, as well as to foreign-exchange funds, which is necessary during the period of severe shortages although it does not fit the general targets of the reform at all. This lack of social understanding has brought about many misunderstandings, and today it is creating the untrue accusation of indolence, but it is true, on the other hand, /that delays have occurred in such key areas, for example, as in the implementation of new principles for the structuring of wages based on opening the way for the creation of plant wage systems. There have also been distortions in the solutions introduced, particularly in the distribution sphere in connection with the excessive expansion of the field of application of the operational programs and also in the sphere of the organizational structure changes in enterprise associations./ Added to this too were facts like having the militarized subsectors out of the reform, the suspension of the operation of the self-governments, which have just been reactivated, and the stubborn competitive methods of filling directors' chairs.

Fifth, alongside the above-mentioned factors shaping social attitudes towards the reform there are also undoubtedly another type of psychological barrier: /active reluctance or resistance to the reform on the part of all those people for whom the new economic mechanisms have already made life more difficult or can do so, forcing them to change their past forms of operating and habits./ These groups' influence on social attitudes shaped by the previously mentioned factors can be considerable.

In the atmosphere presented, social implementation of the reform is obviously made all the more difficult. Two basic conclusions can be drawn from this review:

One is that all forms of influence on the social consciousness and its development in the direction of awakening attitudes favorable to the reform play an important role in a time like the present period.

The other is that persuasion alone will not suffice. It must be backed by concrete manifestations of the effectiveness of introducing the new rules of operation. This must become obvious, particularly in the places of employment. The workers' relationship to the reform cannot be reduced to wage incentives.

#### Quality of the New Solutions

I take the quality of the new systems solutions of course to mean not their doctrinal purity but the extent of their effectiveness. In the long run the reform is supposed to create the foundations for a healthy economy based on cost-effectiveness, on associating microeffectiveness with macroeffectiveness. In the short run, the implementation of the reform is to help encourage thrifty management, increased production and export, an improvement in work quality, and an improvement in the market. The effectiveness of the new mechanisms is to be expressed in progress in reaching these goals. Let me emphasize here that I am talking about progress in approaching the goals rather than a fait accompli of having reached them, because there is no question of an immediate reversal of adverse trends which have existed for years and decades, such as the excessive consumption of materials, poor product quality, and faulty structure.

The effectiveness of the new solutions depends not only on their theoretical propriety but also on two other factors: skill in adapting them to current conditions in which the economy and the society find themselves, and on their consistency with current economic and social policy, which have an impact on the condition of the economy and on the operation behavior of the members of society.

Life does not generally make it possible to fulfill dreams of the imagination about what is ideal. At the outset the concept of the way of implementing the reform was to a great extent logically consistent with and adapted to real conditions. It was based on the assumption of gradual changes and temporary solutions adapted to existing limitations, among which were first of all the following in the economic sphere: a serious gap in the balance of payments, related serious shortages of raw and other materials, and the inflation gap. These limitations defined the path for implementing the reform. They imposed the necessity of using temporary solutions based on the distribution of foreign-exchange funds and a number of raw and other materials. At the same time there was the attempt to encourage the enterprises' initiative and economical management, and this required organizational changes to permit them to operate independently.

There have been changes in the implementation of this program. Some of them have been conscious ones. Others have been uncontrolled. The former stemmed from the need to adapt to martial-law conditions (the expansion of self-government, militarization of some proportion of the enterprises and branches) and to the rapid worsening of the foreign-exchange situation and the related import capacity of our country (the expansion of the scope of the directive distribution system). The uncontrolled changes occurred as the result of delays in the information network, delays resulting from misunderstandings and distortions.

Some of these changes burdened the initial phase of the implementation of the reform. The greatest distortions occurred in the realm of the distribution of foreign-exchange resources and material resources. The solutions adopted were not implemented here consistently. In particular it has not yet been possible to implement the idea of a complete departure from distribution based on the organizational unit [equipment and plant] in favor of distribution based on the product [goods and services], that is, basing the allocations procedures on the full satisfaction of the production supply needs for certain priority items.

We also faced the consequences of certain forecasting errors, which led to setting up certain instruments wrong. For example, economic logic would suggest the fear of causing a wave of unemployment. This was considered a great social danger which should be consistently avoided in a severe crisis situation. A set of instruments was implemented to fit this diagnosis and worked, not placing any emphasis on the rationalization of employment. Meanwhile, however, in 1982 structural imbalances of a severe nature which had been building for years appeared with great force and proved the forecast false.

In the macroeconomic sense the unemployment threat continues. If great emphasis were to be placed on the economic mechanisms side, then certain employee groups would have to face the difficulty of finding jobs, but, on the other hand, generally important shortages of direct production employment occurred in tedious jobs. This phenomenon is normal for highly industrialized countries. At a certain stage of its development, every such country faces the problem of having its citizens unwilling to perform jobs considered hard or tedious and then looks for immigrants. In Poland quantitative changes in this direction have been building up for a number of years in the form of a slackening influx of young people to certain types of work (for example, in metallurgy, foundries, and construction), but the qualitative change appeared during the severe crisis. This is a tremendous objective difficulty of our current day.

Against the backdrop of this example we can see how strong the relationship is between the instruments of reform and the current economic and social policy. /One cannot expect instruments to function differently from what political-economic decisions tell them to. If there are no decisions, it is difficult to set up instruments. If they are wrong, the operation of the instruments must be changed./



This year's experience also points up the necessity of certain changes in the principles of structuring the enterprises' taxation and prices. The solutions adopted have not created strong enough pressure to bring about an increase in production and effectiveness. Therefore they should be bolstered. Such changes are not a departure from the concept of the reform. On the contrary. They must be made as an indispensable element of the process of reforming the economy.

A condition to the correctness and therefore the effectiveness of these changes is clarity as to the intended method of resolving a few key problems of socioeconomic policy. /Two groups of decisions are primary: decisions concerning the balance of payments and decisions concerning the policy of prices and incomes./ For the new reform mechanisms to stimulate effectively an increase in production and an increase in exports, we need to take a breather in foreign exchange, to guarantee imports which are a condition to an increase in production. Given the continuing shortage of foreign-exchange resources available to our country from the current level of exports, we cannot avoid a hard choice. The more we allocate for debt service, the less we can import, and this is bound to cut into the possibility of increasing production, exports, and further debt service. Imports from the USSR are undoubtedly a very important factor making it possible to stay the course, but with this technological dependence on the West which we face, such imports from the USSR cannot provide what we need to make full use of our production equipment and machinery. Therefore, the choice between a policy of being forced to repay part of the debt to the West and the policy of getting completely free of such repayments for a period of several years in order to resume it at a moderate rate after overcoming the problems of internal equilibrium and the activation of production is a choice which will determine the further course of the reform.

In the realm of the policy of prices and incomes, a matter of basic significance is to be fully aware of the fact that following a period in which cash incomes far exceeded the increase in prices, the country had to pass through a period in which the relationship between these two indices was reversed, that is, prices for a certain period of time had to grow more rapidly than cash income. This is an issue which causes a great deal of social unrest, but it must be realized that any attempt to freeze prices and wages would be destructive both for the new economic mechanisms and for the country's economic future. The effort of the political-economic solutions must now focus on keeping inflation from being too rapid, not on avoiding it altogether.

The proper establishment of price and tax instruments for enterprises for 1983 requires first of all the establishment of the rate and scope of further increases in the prices of raw materials included in the system of official prices. This growth is essential for these prices to be adjusted to world ratios and for them to be put further in order. The increase should be considered the basis for all price changes next year and therefore as the basis of setting the permissible rate of inflation.

Criteria for the social distribution of income are a great complicated area which needs to be clearly resolved. In order to mobilize the right wage incentive systems in the enterprises, it is essential to have a clear answer to the question of what sort of income spread is permitted between the principle of good earnings for good work and poor earnings for poor work. What sort of choice do we face in this area?

A complete price freeze would make it impossible either to saturate the economy with proper economic cost effectiveness or to mobilize rational wage incentives, because wages would have to be frozen too. Restoration of market balance would be a dream. On the other hand, an excessive rate of inflation would have to lead to basing wage incentives on an increasing difference in incomes and would lead to greater social tensions. It would increase the chaos in the economy. If we exclude these two extremes, we are left with only one rational intermediate road, requiring the controlled rise of prices in conjunction with a very limited increase in cash income in such a social spread as to insure a decent wage for effective work.

One major conclusion follows from this review of the issues. The effectiveness of reforming the deconomy depends to a predominant extent on how consistently it runs and on how far we can provide the necessary coherence between measures in the realm of current economic and social policy and the introduction of systems changes.

The consistent implementation of the processes of the reform requires not only the introduction of the necessary corrections in economic-financial instruments but also greater consistency between the actions of the bodies of power and the statements made concerning the decisive struggle against distortions and piecemeal actions contrary to the existing law. This is one of the major conditions to finding a way to get through to the minds of the people and to unload the conflicts and tensions in a situation in which no increase in real income can be guaranteed, nor can we simply give in to the pressures of material and wage demands stemming from the failure to understand the possibilities. To give in to these demands does not resolve the problem. In the end it only makes them worse, because it delays the effective reform of our economy or makes it altogether impossible.

10790

CSO: 2600/56

BANK ROLE IN FINANCING ENTERPRISES EXPLORED

Warsaw TRYBUNA LUDU in Polish 20 Sep 82 p2

[Interview with Stanislaw Majewski, Chairman of Poland's Narodowy Bank, by Henryk Borucinski (PAP): "Is Banking a Pillar of the Economic Reform?: Conversation With the Chairman of Poland's Narodowy Bank"]

[Text.] /The economic reform is conceived as a means of restoring the health of our economy. Restoring its health means primarily basing economic activities on the principle of profitability, on the premise that income would be greater than cost. This accounts for such a large and new role of the banks in "the days of the reform" in our economic life. For it is they that finance the activities of the enterprises and know everything about their financial operations. The chairman of the NBP (National Bank of Poland), Stanislaw Majewski, was interviewed about banking activities by a PAP journalist./  
[printed in boldface]

[Question] At the end of June the bank reported that it had refused to loan funds to 687 enterprises because they were not creditworthy. Have these enterprises shut down?

[Answer] A definite majority obtained financial assistance outside the banking system. Some presented credible plans for placing their activities in the black and received additional financing from us. Others raised the prices of their products. Toward the end of July of this year only 30 enterprises were menaced by the possibility of having to shut down, while at present--owing to various actions (among other things, related enterprises help each other), this number has further declined.

[Question] Is not this a "softening" of the reform?

[Answer] I do not think so. After all, this concerns the positive results of our actions. By means of penetrating analyses we uncovered the true picture of our economy. It turned out that certain nationally known large enterprises, and even entire subsectors, have long been living on credit, that is, in other words, at the expense of others. The premises of the reform preclude such a situation. If a particular firm lives at the expense of another, it either must streamline its management or be eliminated. Such are the hard laws of economics. Since June a favorable change has been taking place in the consciousness of enterprise management; it has

finally realized that the threat of closing unprofitable enterprises is not mere verbiage, whereas until recently many had believed that "their" enterprises are inviolable.

[Question] Has not experience proved otherwise? For so far not a single enterprise has yet been closed.

[Answer] Please bear in mind that the banks do not finance a definite majority of the menaced enterprises. These have either been granted interim credit, such as, e.g. about 100 construction enterprises, or have temporarily resorted to the tin cup of--begging subsidies from--budget, or have obtained funds from sources other than the banks. These, however, are interim solutions. In the long run, no enterprise in Poland, except in cases justified by social considerations, can survive unless it converts to self-financing. After all, it is difficult to believe that 250 enterprises--chiefly those of the heavy and machinery industries--would permanently benefit from budget subsidies. That would be a negation of the ideas of the reform, and in practice, owing to the magnitude of this phenomenon, it could result in exacerbating the economic crisis. I need not add that such actions as the rescue of economically weak and unprofitable enterprises by subsidizing them demoralize the personnel of the well-performing enterprises. For then the work forces at those latter plants would be right in claiming that they must work to support others.

[Question] But the shutdown of, let us say, these 250 enterprises would mean a huge loss to society.

[Answer] Since when is the discontinuation of losses a loss? After all, the closing of factories does not mean that they will be demolished and their equipment scrapped --although in sporadic instances this may happen. Placing an enterprise in receivership entails a creative analysis to determine whether a given plant has a chance to operate profitably and enrich the national economy upon replacing its management personnel, altering its organizational structure and introducing a new program of operations.

[Question] Generally speaking, are you opposed to the subsidizing of plants?

[Answer] There are several aspects to this question. Now that everyone understands that the reform, and hence also self-financing, has become a fact, some of the enterprises granted interim financial aid are utilizing this period to start operating in the black. In the future, too, I do not preclude the possibility of subsidies, but these should be granted for a particular choice with a special social significance rather than for the factory itself. This goal is promoted by the system of product goods and services subsidies envisaged in the financial system. The present practice of subsidizing factories harbors the danger that part of the managers will conclude that "the old system is back" and there is no need to worry about unprofitable operation. They will be greatly mistaken.

[Question] It depends on who will have more clout: the directors of such "recognized" enterprises or the banks, which prior to the reform had no voice at all and were merely an institution for "printing" money and providing it to enterprises whenever desired by the latter.

[Answer] Those times are over. We hold the cash-box and "clout" will not help any one if the cash-box is empty. The banks find support in the legal system: we not only do not have to but also, pursuant to the banking law, cannot grant credit to anyone who does not guarantee to repay it.

Question What if an enterprise tries to save itself from bankruptcy by raising its prices?

[Answer] First, enterprises do not have complete freedom to set prices and, second, it is up to the market to accept or reject these prices, up to the public. A product that is too expensive will be unsaleable and will only hasten the collapse of the enterprise. This may sound ironic given the current market imbalance. For we are fully aware of the negative consequences of achieving profitability by "jacking up" prices rather than by achieving more efficient management. That is why the government has recently taken a number of measures to effectively counteract such occurrences. It is absolutely essential that the credit system also should cooperate more effectively in stimulating enterprises not only to improve their profitability but also to achieve it through improved management. To this end, we intend to base the appraisal of creditworthiness not only on current profitability but also on long-range profitability, and we specifically plan to do so beginning in 1983 with profitability to be considered on the scale of the plan for the years 1983-1985. Such an approach should eliminate the advantages ensuing to enterprises from shortsighted high-price policies.

[Question] What problems are encountered by the banks in their activities?

Answer With respect to the topic of this interview, it would be desirable if the decree on the streamlining and closing of enterprises were to be promulgated as soon as possible. That would be the needed dot over the "i" in the problem of self-financing.

[Question] Thank you for the interview.

1386

CSO: 2600/3

HEAD OF MAIN STATISTICAL OFFICE INTERVIEWED

Warsaw RZECZPOSPOLITA in Polish 29 Sep 82 pp 1, 3

[Interview with Professor (Dr) Wieslaw Sadowski, president of the Main Statistical Office by K. Augustyniak; date and place not specified]

[Text] The picture of the country in 1981. A ton does not equal a ton. Skepticism--but is it justified? Statistics are like a mirror.

[Question] A new "Statistical Yearbook" just came out. What sort of picture of the country emerges from its pages?

[Answer] In 1981 very clear signs of an economic crisis could be observed. As a result of shortening the working hours, shortages of raw materials that were common everywhere, difficulties in foreign trade and other factors, production fell sharply while employment continued almost undiminished. As a result, a sharp decrease occurred in labor productivity and in the effectiveness of the entire economy. However, the wages increased.

The sum of these factors influenced obviously the formation of an unfavorable market situation; this was expressed by the ratios between the amount of goods in stores and the money supply of the population. A massive buying up of those goods and actually a liquidation of trade supplies occurred. This disorganized the market to a still greater degree--shelves were empty and the current, lower than before, production could not help to fill them.

Unfavorable conditions occurred also in the procurement of animal products that, in 1981, was lower than it was in 1980.

The results obtained last year in crop production form a brighter side of this picture. Especially the grain and sugar beet harvests were not bad. Totally, agricultural production in 1981 was 4.3 percent higher than in the year before and influenced considerably the national income so that it fell on the whole by 12.1 percent which was less than it could have been expected after the lowered industrial production.

These general phenomena influenced the situation which each of us, as consumers, experienced last year. The increase in living costs was felt less



than the shortage of goods (though by comparison with 1980 it was evident), and the goods could not be bought even if one had cash.

[Question] How does the new edition of the "Yearbook" differ from the previous ones, what has been developed in it and what has been curtailed?

[Answer] One of the shortcomings of statistics in past years has been the curtailment in the publication of information. This pertained especially to some data from the area of social statistics. Starting with the publication of the "Yearbook" for 1981, the Main Statistical Office set for itself the task of introducing this information to the "Statistical Yearbook." We thus enriched the content of this publication, among other things, by information about production and threat to the natural environment, accidents at work, fires, and differentiation and structure of incomes, pensions and annuities according to the amount of pay and the social groups. Statistics about prices, living costs and allocation of apartments is much more ample. We reintroduced topics such as balance of payments and the state debt; these topics disappeared from the pages of the Year Books in the 70's. In a word, the "Yearbook" is considerably more ample than in previous years.

We attempted to verify simultaneously some computations and information. This pertained, among other things, to data concerning the effects of housing construction that aroused a justified lack of trust.

We devoted a good deal of attention and space to data on the subject of meat that continues to arouse a lot of controversy in social feelings. We placed detailed information both in the previous Year Book and in the present one that point out, in the so-called balance method, what happens with this meat from slaughter to the moment when it reaches the stores.

We also took some steps so that the new "Yearbook" and others to follow would be "slimmed down" by giving up that information which was not indispensable.

[Question] As you probably know, people treat with skepticism the truthfulness of data furnished by statistics.

[Answer] Of course, I know. Besides, as it can be observed from my personal contacts in the world and among professionals, our statistics are valued more there than here in our country.

But skepticism about the picture shown by any statistics, not only Polish statistics, occurs also in other countries. Nonprofessionals look at all statistical information from the personal angle, so to speak, whereas the synthetic nature of a group that very often does not for many endeavors apply to individual cases is indispensable.

We are trying now to give a clear picture through stratification of general data (for instance, stratification of pay or pensions in particular groups, or even the meat problems mentioned earlier). We are striving also to improve the methodology of our work.

[Question] Not all data contained in the statistical "Yearbook" for 1982 can be compared. Why?

[Answer] It was likewise in preceding "Yearbooks." This is already a very difficult question because the following is very often subject to change: concepts of the basic categories of the system of financial-economic management of the economy; organizational structures; prices; and the like. When assuring comparability of international data still greater difficulties arise. Western countries, for instance, compute national income differently than the socialist countries do. These differences are the result of dissimilar theories recognized by these countries. Frequently there are also dissimilar methods of reporting them.

But why search very much. Let us stay with Poland and let us look at milk. Is the milk "straight from the cow" completely the same as that we buy in the stores? Can one compare the value of one liter of milk with the so-called yellow cap (of higher fat content) with a liter of commonly sold milk? Such a comparison will not be exact.

Or coal for that matter--a ton does not have to equal a ton; it depends on the calorific value of fuel, on powder content, on stone, etc. We compare them indeed but there are also voices criticizing that. That is why, starting with next year's "Yearbook" when characterizing the results of coal output, we will give both "tons" and calories. This information was given in the "Statistical Yearbook of Industry."

Are our state statistics faultless? We have a lot of trouble, mistakes occur in the initial data which the reports of enterprises make (at times mistakes are committed consciously), but we are not helpless in the face of them and have at our disposal a proper control system. These mistakes may get into monthly reports and not into the "Yearbook." There are defined methods of verification of data, correcting wrong information, reporting the data, balancing, etc., so that the data would reflect the true picture as exactly as possible.

[Question] Arrangement of the Year Book is rather complicated, and not only economists utilize it. Even school youths reach for it.

[Answer] In fact it is not easy to read. But the large "Yearbook" is mainly meant for professionals. I would recommend the small "Statistical Yearbook" for young people. We are also thinking of resuming again a special statistical publication which used to appear before and was meant for young people and which would be simpler and smaller.

[Question] Let us now go beyond the subject matter of the "Yearbook" itself. I am concerned about economic reform and its reflection in the work of GUS (Main Statistical Office).

[Answer] We have been preparing for the economic reform for quite some time. Already in the middle of 1980 we worked out a plan for perfecting state



statistics by having in mind our known directions of reform. In the current year we are working on these issues very intensely.

The information flow has changed in connection with the reform. In the reports from enterprises would reach the associations which were obliged to prepare collective reports, now for district voivodship statistical offices. This has, of course, its pluses, but for us it is rather technically bothersome.

Meritorious changes are of greater importance. A reformed system of managing the economy and a transition for the practice of issuing orders to the practice of independence for enterprises have also influenced state statistical reporting and our research program at the Main Statistical Office. On the one hand, we must simplify this reporting, and on the other hand, we must take into consideration many new elements connected, for example, with the effectiveness or financial results achieved by enterprises. In the period of transition we must also lift additional encumbrances resulting, for instance, from research of the operational programs.

In any event, we strive to achieve a more integrated system of state statistics and to eliminate the diversity and duplication of central and ministerial reporting. This for sure cannot be achieved in one year, but it is a process which should, however, bring the expected results.

9971

CSO: 2600/32

PRODUCTION DATA FOR THREE QUARTERS PUBLISHED

Warsaw ZY IE GOSPODARCZE in Polish No 40, 24 Oct 82

[Article: "After Three Quarters -- Material From the Main Statistical Office (GUS)]

[Text] The graph shows, among other things, that the production level reached in September 1982 had an impact resulting in a drop in its decline compared to the previous year, from 6 percent for the period from January to August to 5 percent for the first 3 quarters of 1982.

For the period of the 3 quarters then the value of production of socialized industry was still lower than either 1981 (5 percent lower) or 1979 (16 percent lower).

Compared to September 1979 the value of industrial production in comparable prices was also far lower this September, that is, 9 percent lower (in August it was 19 percent lower, in July it was 25 percent lower, and in June it was 16 percent lower).

It is also worth noting that the production of processing industry was relatively ahead of extractive industry. The increase in the production of extractive industry this September compared to last September amounted to 7 percent, and the index for the 3-quarter period similarly reached 10 percent. In processing industry a production decline was noted up to and including this August (0.2 percent this August compared to last August), but in September it increased by 4 percent.

The increase in the production of processing industry this September was achieved owing to the good results in the fuels industry (13 percent), power industry (9 percent), nonferrous metals industry (5 percent), precision industry (9 percent), vehicles industry (22 percent), building materials (5 percent), whiteware (7 percent), paper industry (7 percent), leather industry (11 percent), and printing (7 percent).

-- Cash expenditures of the population this September amounted to 269 billion zlotys, up 110.1 billion or 69.4 percent, compared to last September. Of this, expenditures to buy goods reached a level of 216 billion zlotys, which means a 79.1-percent increase in these expenditures. The increase in the expenditures to buy goods was somewhat faster than that of the total cash expenditures of the population, and the share of expenditures going for the purchase of goods increase from 75.9 percent of the total cash expenditures of the population last September to 80.3 percent this September.

-- During the first 3 quarters of this year, the value of retail sales of goods by units of the socialized economy was 73 percent higher than during a similar period last year, in current prices. It is a preliminary estimate that the value of food sales was more than twice as great, that the sales of alcoholic beverages were also twice as great, but the increase in the value of the sales of nonfood items was about 48 percent compared to the period from January to September last year.

-- After the estimated elimination of the influence of the increase in prices, retail sales during the period of the first 3 quarters of this year declined by about 19 percent in relation to a similar period last year, and the decline in food sales amounted to about 16 percent, the decline in the sales of spirits approximated 18 percent, and the drop in the sales of nonfood commodities was about 22 percent.

-- This September the population's cash resources increased by 26.7 billion zlotys, 12 billion of which were savings deposits and 14.7 billion cash reserves. During the 3 quarters the increase in cash resources approximated 268 billion zlotys, including about 130 billion zlotys in savings deposits and about 138 billion in cash. As a result the total amount of cash resources at the end of September amounted to about 1,321 billion zlotys, including about 516.5 billion zlotys cash.

-- Stocks of commodities in trade remained at a very low level (292.5 billion zlotys). Stocks of nonfood commodities were about 30 percent lower in constant prices than at the end of last September.

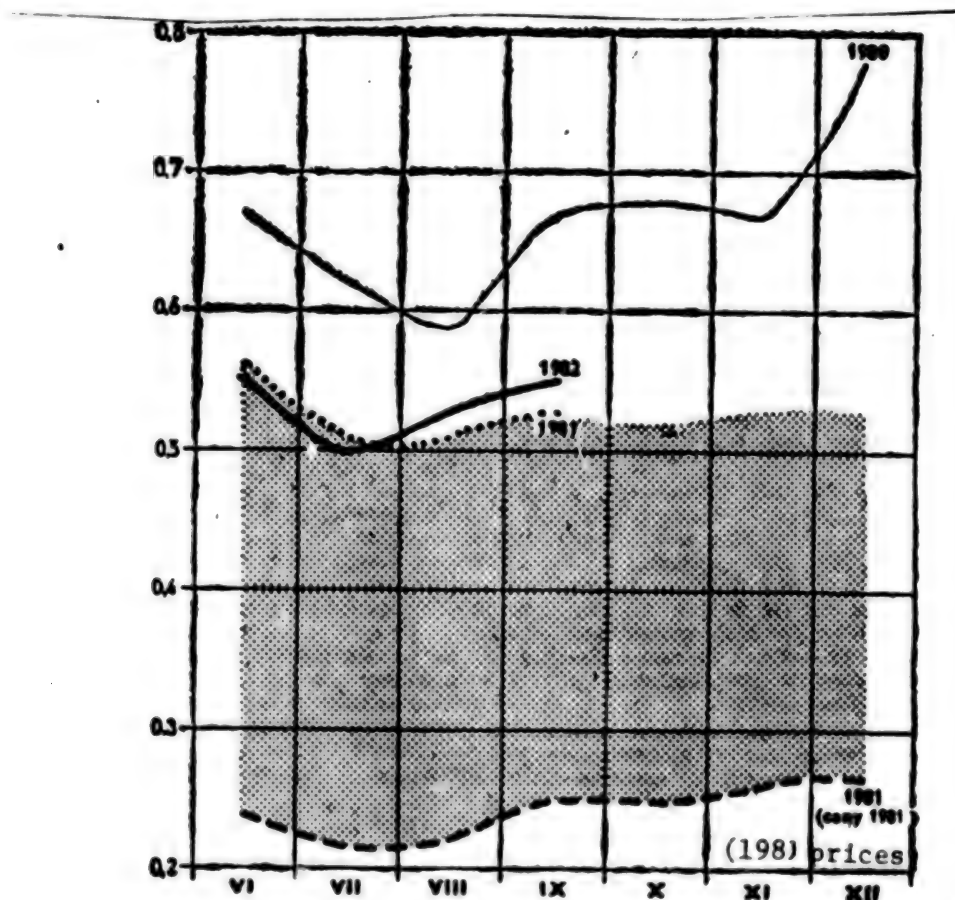
#### In foreign trade:

-- This September foreign trade turnovers for exports were 25.7 percent higher than last September (25.8 percent to I payments area, 25.8 percent to II payments area), but imports increased by 14.1 percent (18 percent from I payments area and 9.7 percent from II payments area). The value of foreign trade turnovers in September of this year was 25.6 percent higher for exports and 8.2 percent higher for imports than this August.

-- The results obtained this September helped bring about an increase in the growth rate of foreign trade turnovers for the first 3 quarters of this year compared to the dynamics of growth during the period of 8 months this year:

# Growth Rate of Sold Production in Socialized Industry in 1982 Prices

Billions of Zlotys



The lower level of sold production than last September remained in the metals industry (down 4 percent), electrical-engineering and electronics industry (down 2 percent), glass industry (1 percent), timber industry (4 percent), textile industry (9 percent), and fodder and waste-recovery industry (34 percent).

The data on production of major products this September show that compared to last September the following increases took place: 14.3 percent in hard coal, 6 percent for soft coal, 4 percent for petroleum refining, 17 percent for zinc production, 6.9 percent for automobiles, 14.2 percent for farm tractors, 4.1 percent for phosphorous fertilizers, 22.4 percent for cement, and 14.1 percent for paper. Substantial declines continued in aluminum production (36.5 percent) and natural gas production (20.7 percent). Despite growth during the previous 3 months (15.6 percent in August, 20.7 percent in July, and 20.3 percent in June), there was a 7.6 percent decline in electrolytic copper production in September.

The mean demand for electric power during the evening peak period this September was 15,900 megawatts and was 560 megawatts or 3.4 percent lower than last September. There were no limitations on customers owing to a shortage of power. Electric power production remained at last year's level, except for a 1.3-percent increase in the public-utility electric plants.

Following the technical-material supply shortages, especially with regard to imports, in September production restrictions occurred in 234 enterprises out of a total of 3,500 enterprises of state industry in eight basic ministries. This occurred mainly during the temporary restriction in the use of production capacity (in 192 enterprises) and during the permanent or partial suspension of enterprise production for a period not shorter than to the end of the year (in 42 instances). According to enterprise estimates, as the result of the above causes, the value of the sold production of socialized industry declined by about 3 percent during September. The decline in employment resulting from this restriction on production was negligible and affected only about 900 persons, or 0.02 percent of the persons employed in state industry.

In the rest of the areas of the material sphere excluding agriculture a comparison of the data for September 1982 with that for last September also reveals a diminishing of the trends toward decline.

In the construction-installation enterprises, the decline in state production this September compared to last August amounted to 3.3 percent, but over the period of 7 months the figure is 14.3 percent (compared to 1979 down 34.3 percent).

It is estimated that during the period from January to August, total investment outlays declined by 25.6 percent compared to a similar period last year, including 19.1 percent in construction-installation work. During this period investment construction tasks totalling a cost-estimate value of 79.9 billion zlotys were completed and turned over for use. This represented 38.3 percent of the tasks (calculated in cost-estimate value) projected for completion during this period.

This September 11,900 dwellings were completed and turned over for use in socialized construction. It is true that this means a increase of 6.1 percent over last September, but it still represents a very low level. In the course of 9 months a total of 75,500 dwellings were completed and signed over for use. This is 23,300 (23.6) percent fewer than during a similar period the previous year.

The results achieved during the 3 quarters of this year in the realm of signing over for use dwelling in socialized housing construction are therefore not encouraging.

Assuming complete fulfillment of the annual targets, during the 4th quarter of this year 87,200 dwellings (4.7 million square meters usable floor space) should be turned over for use. This is 53.6 percent of the total

housing to be completed this year. These are sizes, in terms of both numbers of dwellings and amount of floor-space, which are far higher than achieved during the 3 quarters of this year. It should be mentioned that during the 4th quarter of 1981 29.6 percent of the dwellings were completed.

In socialized transportation, the shipping of cargo was 17.4 percent lower during the 3 quarters than during a similar period last year, and in September, 10.6 percent lower, including on the PKP, where the figures were down 2.5 percent and 1.0 percent for the two periods, respectively, and public motor transport and industrial branch transport, where the decline during the 3 quarters was 25.5 percent and the decline in September was 17.6 percent.

This September, employment in the four basic sectors of the socialized economy (industry, transportation and communications, construction, and commerce) amounted to 7,710,000 persons, and was 4.8 percent lower than last year, but it was up 21,100 persons over last August.

In the various sectors, the increase in employment this September over this August was as follows: 13,100 in industry, 3,400 in commerce, 2,700 in construction, and 1,900 in transportation and communications.

At the same time the places of employment continued to list a large number of jobs requiring new employees. The number of jobs available at the employment departments as of the end of September of this year totalled 282,000 and was 11,000 higher than this August. This September the local employment services registered more than 16,000 persons looking for jobs (18,000 this September).

We shall try to give more information about the situation in agriculture, the money market, foreign trade, and enterprises finance "at the end of 3 quarters" in separate publications, especially since some important data on this subject are late in being collected. Here we shall merely point out the basic trends, some of which are illustrated in Table 2.

Hence, before giving more comprehensive comments on these problems we shall also point out the following:

In agriculture:

-- Procurement of livestock (4.6 percent lower during the period of the 3 quarters than last year) declined by 27 percent in the socialized economy but increased by 11 percent in the nonsocialized economy. This September livestock procurement was 7.4 percent higher than last September, but in August the similar index was 11.1 percent.

-- Procurement of milk remained at a rather stable level, but there was a rather drastic decline in the procurement of eggs (33 percent decline this September compared to last September and 15.5 percent compared to this August).



Table 1

Description	Production Sold in Industry in 1982 Sales Prices	
	I-IX 1982	IX 1982
	Similar 1981 Period = 100	
Total industry	95	104
Extractive industry	110	107
Processing industry	94	104
Coal industry	115	109
Fuels	98	113
Power industry	105	109
Ferrous metallurgy	90	101
Nonferrous metals	100	105
Metal industry	89	96
Engineering industry	98	103
Precision industry	102	109
Vehicles	94	122
Electronics and electrical engineering	92	98
Chemical industry	93	103
Building materials industry	94	105
Glass industry	98	99
High-grade ceramics	104	107
Timber industry	92	96
Paper industry	101	107
Textile industry	86	91
clothing industry	101	102
Leather industry	96	111
Food industry	95	104
Small-scale manufacturing	102	104

-- In crop production this year a 66.4-percent increase was noted in the procurement of the four grains in September, compared to last September, but the procurement sizes for sugar beets and other root crops have been somewhat lower.

-- This September compared to the previous months there was a further softening of the profitability of raising piglets, a further decline in the level of the breeding of gilts in breeding centers (4.1 percent fewer this September than last September), and an increase in the sale of gilts for slaughter (about 77 percent more were sold for slaughter this September than last September).

In the money-market situation:

-- The cash income of the population this September was 295.7 billion zlotys, up 117 billion zlotys, or 65.5 percent, compared to last September. On-the-job earnings (including employee pay adjustments) increased by

Table 2

Description	I-IX	1 9 8 2			
		VI	VII	VIII	IX
		similar 1981 period = 100			
Total procurement of live-stock for slaughter in post-slaughter weight calculated as tons of meat	95.4	107.3	94.1	111.1	107.4
Milk procurement	+ 100.0	101.1	103.6	99.9	97.0
Egg procurement	+ 90.0	87.3	67.8	71.4	67.0
Population cash income	160.3	161.0	160.1	171.6	165.5
Population cash expenditures	162.7	164.4	170.0	175.7	169.4
Retail sales of goods in current prices	173.0	176.0	185.6	187.6	186.4
Imports	87.1	84.3	96.0	102.5	114.1
from I payments area	102.8	103.2	90.0	113.5	118.0
from II payments area	71.8	65.2	105.2	90.9	109.7
Exports	105.3	98.9	97.7	119.1	125.7
to I payments area	113.0	115.7	95.4	123.3	125.8
to II payments area	99.3	85.2	99.7	114.8	125.7

47 billion zlotys (48.6 percent) and social benefits (along with the range adjustments paid also to members of employees' families) increased by 29.4 billion zlotys (111.7 percent). Population income from the sale of farm products for socialized procurement was up 23.5 billion zlotys (71.6 percent).

-- Mean monthly earnings along with employee range adjustments from January to September this year in the four basic sectors amounted to 10,650 zlotys, up 3,332 zlotys, or 45.5 percent, over a similar period last year, and excluding employee range adjustments, by 1,867 zlotys, or 25.6 percent.

The highest level and growth rate of mean nominal wages are noted in industry, largely influenced by the high level of earnings in the coal industry. After excluding the coal industry from the total for the four sectors, the mean wage with range adjustments in the period from January to September of this year amounted to 9,926.



in turnovers with I payments area, 1.8 percent for exports and 2.0 percent for imports,

in turnovers with II payments area, a 3.6-percent increase in exports and one of 4.1 percent in imports (a decrease in the decline).

-- During the period of the 2 quarters of this year the growth rate of foreign trade turnovers in current prices was greater than that in constant prices. In turnovers with I payments area, exports increased 13 percent in current prices and imports increased by 2.8 percent, but in constant prices exports increased by 6.9 percent, and imports declined by 7.8 percent. In turnovers with second payments area, exports declined by 0.7 percent in current prices. Imports declined by 28.2 percent. On the other hand, in constant prices, exports were lower by 0.6 percent and imports by 27.6 percent.

10790

CSO: 2600/57

STATISTICS ON IMPROVED PRODUCTION PUBLISHED

September Production Increases

Warsaw TRYBUNA LUDU in Polish 18 Oct 82 pp 1, 2

[Article: "A 4 Percent Increase in Industrial Products Sold; Increased Activity in Processing Industry Sectors; Increased Labor Productivity; Construction Industry Lagging Behind; Complex Situation in Agriculture"]

[Text] The Main Statistical Office [GUS] has published information describing our country's economic situation in September of the current year as well as the basic tendencies that appeared after the [first] three quarters. The GUS information is published by us in a somewhat abridged form.

In September, our country's economic situation was determined by the following phenomena:

--For the second consecutive month this year, sales of products of socialized industry were higher than in the same month last year; simultaneously, besides an increase in production which occurred in the mining and small-scale industries, there was also, for the first time this year, a production increase in the processing industry.

--As early as the fifth consecutive month there was an increase in industry's labor productivity, as measured by the value of sales of products per employee; on the other hand, the total labor productivity in industry exceeded the productivity level of the same period of last year.

--There was a steady increase in the procurement of slaughter cattle and hogs, with a slight decrease in milk procurement and a considerable decrease in the procurement of eggs; simultaneously, there were unfavorable trends in animal breeding.

--Both in comparison with September of last year and August of this year, there was an increase in exports and imports in trade with the socialist and capitalist countries.

--There was a continued domestic market imbalance, with deliveries meeting the supply requirements of ration cards; at the same time, in the [domestic] market there were shortages of other articles, particularly shoes and clothing.

Sales of products of socialized industry (in constant prices) in September, both during an actual and comparable work time, increased by approximately 4 percent in comparison with September of last year. During this period, the mining industry production increased by approximately 7 percent. Also in September there was, for the first time this year, an increase of approximately 3.5 percent in the processing industry production. There was a steady growth tendency in the small-scale industry.

In comparison with August of last year, sales of products in September of this increased by approximately 7 percent. The increase in industrial production was due to favorable [production] results in the coal, fuel, energy, nonferrous metals, precision, transportation means, construction materials, whiteware, paper, leather, and printing industries. In the above sectors there were increases in production ranging from 5 to 22 percent. Production in the iron metallurgy industry, and in the machine, chemical, clothing, and food industries, was also higher than in September of last year. There was a slight decrease in production, as compared with September of last year, in the metals, electronics, electrical, and glass industries. In the textile industry there was a considerable drop in production.

During the three quarters of the current year, sales of products of socialized industry were approximately 5 percent lower, whereas the decrease in production during the first half of this year was 8 percent, and in the first quarter of this year it amounted to 11 percent--in comparison with an analogous period of last year.

Beginning in May of this year, labor productivity, as measured by sales of products (in constant prices) per employee, was higher than in analogous months of last year, which resulted in a total increase of approximately 1 percent in productivity as compared with an analogous period of last year. In September of the current year, labor productivity in industry was approximately 10 percent higher than in September of last year.

In agriculture, local rains, which fell at the end of September of this year, improved autumn farm work conditions in the central and eastern regions of our country, while soil drought persisted in the remaining areas. By the end of September of the current year, winter grains had been planted in an area of approximately 2.2 million hectares, i.e., in approximately 46 percent of the planned grains cultivation area. In root crops, potatoes were harvested from approximately 80 percent of the cultivation area; sugar beets were harvested from 12 percent of the cultivation area, due to the prolonged growing period of beets.

In the period from the beginning of the harvest to the end of September of this year, 2.3 million tons of consumer grains were procured from the 1982 crop. Grain procurement was approximately 80 percent higher than in an analogous period of last year. The grain procurement plan for second half-year of 1982 was fulfilled in 52.3 percent.

In September of the current year, there were continued unfavorable tendencies in animal breeding. There was evidence of a further decrease in the reproduction

of the hog population; simultaneously, there were further decreases in the prices of farm animals and a sharp increase in sales of sows to procurement centers. In comparison with August of last year, there was a slight seasonal decrease in the prices of grains, while at the same time, there was a relatively large increase in potato prices due to poor potato crop.

Procurement of slaughter livestock, in conversion to meat as weighed after slaughter, in the January-September period of this year amounted to 1,395 thousand tons and was 4.6 percent less than procurement which had been achieved during the same period of last year. In September of this year, as compared with September of last year, slaughter livestock procurement was 7.4 percent more, the increase in slaughter cattle procurement amounting to 54.5 percent and the decrease in slaughter poultry procurement amounting to 77 percent. Milk procurement during the three quarters of the current year amounted to 7,212.4 million liters and was 0.7 higher than during an analogous period of last year; on the other hand, in September it showed a decrease of 3.0 percent. Egg procurement decreased by 13.9 percent during the three quarters, while in September it decreased by 33.0 percent, as compared with corresponding periods of last year.

The basic production of socialized construction and assembly enterprises in September of this year was 3.3 percent lower than in September of last year, but was 5.4 percent higher in August of this year. During the three quarters of the current year 75.5 thousand apartments were made available for use, i.e., 52.1 of the yearly plan and 23.6 percent less than in the same period of last year. In September of this year, 11.9 thousand apartments were made available for use.

Freight shipments by socialized transportation enterprises amounted to 92.2 million tons in September of this year and were 10 percent less than in September of last year; of these, railroad shipments decreased by 1.0 percent and motor vehicle shipments decreased by 17.6 percent. During the three quarters of this year, despite an increase in coal shipments from mines, freight shipments continued to be less than last year, railroad shipments showing a decrease of 2.5 percent and motor vehicle shipments showing a 25.5 percent decrease.

During the January-August period of this year, socialized enterprises (excluding agricultural ones) showed profits amounting to 913.1 billion zlotys and losses amounting to 112.4 billion zlotys, as a result of which the favorable financial result amounted to 800.7 billion zlotys.

Enterprises still continue to be subsidized heavily from the state budget. Additional payments from the budget, mainly in the form of subsidies, amounted to 505.8 billion zlotys in the January-August period of this year; of this amount, 251.8 billion zlotys represented subsidies to industry, chiefly to enterprises of the dairy industry, meat industry, milling industry, hard coal industry, and iron and steel industry.

In the foreign trade turnover in September of this year, calculated in current prices, exports increased by 25.7 percent and imports increased by 14.1 percent

as compared with September of last year. During the three quarters of this year, as compared with the same period of last year, exports increased by 5.5 percent and imports decreased by 12.9 percent.

In trade turnover with the socialist countries in September of this year, exports amounted to 48.2 billion zlotys, and imports amounted to 48.8 billion zlotys. In comparison with September of last year, exports increased by 28.0 percent and imports increased by 17.6 percent. During the three quarters of this year, exports to the socialist countries amounted to 343.4 billion zlotys, and imports amounted to 374.2 billion zlotys.

Exports to the capitalist countries in September of this year amounted to 47.4 billion zlotys, and imports amounted to 33.3 billion zlotys. In comparison with September of last year, exports increased by 23.5 percent and imports increased by 9.3 percent.

During the three quarters of the current year, exports to the capitalist countries totaled 311.4 billion zlotys, and imports totaled 224.4 billion zlotys. As compared with the same period of last year, exports decreased by 2.9 percent and imports decreased by 30.3 percent.

In September of this year, a total of approximately 7,711 thousand persons were employed in the basic sectors of the socialized economy: in industry, construction, transport and communications, as well as in trade; this figure represented, in comparison with September of last year, a decrease of 4.8 percent. As compared with August of this year, this total increased by 21.1 thousand persons, i.e., by 0.3 percent.

In September of this year, the average monthly pay, including employee compensation (but excluding compensation for family members) in the above four basic sectors was 11,656 zlotys and was 3,353 zlotys more, i.e., 40 percent, in comparison with September of last year.

Retail sales of goods by units of socialized economy (in current prices) in September of this year amounted to 234.2 billion zlotys, which represented an increase of 86 percent in comparison with September of last year.

In comparable prices, retail sales of goods during the three quarters of the current year were approximately 19 percent less than sales in an analogous period of last year. Food sales decreased by approximately 16 percent, sales of nonfood articles decreased by approximately 22 percent, and liquor sales decreased by approximately 8 percent.

According to data for August of this year, the cost of living index for employee families and for families of pensioners and annuitants was at a slightly lower level than in July of this year. This was due to a seasonal decrease in the prices of vegetables, potatoes, and fruit, and also to inhibition of increases in the prices of these agricultural products as a result of restrictions on the maximum profit margin in socialized and private trade.



During the eight months of the current year, cost-of-living indexes for families of persons employed in socialized economy rose by approximately 104 percent, for peasant families by approximately 108 percent, and by approximately 116 percent for families of pensioners and annuitants, as compared with an analogous period of last year.

#### Improvement In Large Enterprises

Warway ZYCIE GOSPODARCZE in Polish No 39, 17 Oct 82 p 4

[Article: "Some Improvement is Noted in Large Enterprises"]

[Text] The Main Statistical Office [GUS] is making a study of 60 selected large enterprises which represent the basic sectors of the processing industry. This is quite a large sample, because it represents approximately 16 percent of the value of [product] sales of socialized industry and 12 percent of all its employees.

From information which has been collected in these enterprises a conclusion can be drawn that in September of this year their total sales were 12.9 percent higher than in August and were higher than in September of last year. In August of this year, the value of sales in these enterprises was also higher than in July of this year (by 8.2 percent) but it still showed a decrease in comparison with an analogous period of last year.

The averages are naturally a resultant of production increases and decreases in the polled enterprises.

An increase in production occurred in 42 (out of 60) enterprises, including: the Lenin Shipyard in Gdansk; the Warski Shipyard [in Szczecin]; the Paris Commune Shipyard in Gdynia; the General Swierczewski "Zamech" Mechanical Works in Elblag; the "Radoskor" Shoe Factory in Radom; the M. Kasprzak Radio Plant in Warsaw; the District Meat Industry Enterprise--Meat Plant in Bydgoszcz; the "Chelm" Cement Plant; the "Nowiny" Cement and Lime Plant in Sitkowa.

A decrease in production occurred in 18 enterprises, including: the 22 July Confectionery Plants--Main Plant in Warsaw; the "Miedzychod" Fruit and Vegetable Processing Plant; the 1905 Revolution Fighters "Pamotex" Cotton Textile Plant in Pabianice.

In the January-September period of this year, however, sales in the polled enterprises were 5.2 percent lower (in comparison with an analogous period of last year). Production decreased in 37 enterprises, including: the 1905 Revolution Fighters "Pamotex" Cotton Textile Plant in Pabianice; the Lenin Shipyard in Gdansk; the 22 July Confectionery Plants--Main Plant in Warsaw; the "Polmo" Passenger Car Factory in Warsaw; the "Stomil" Rubber and Tire Plant in Grudziadz.

Production increased in 33 enterprises, but increased over 50 percent in: the A. Warski Shipyard in Szczecin and in the Paris Commune Shipyard in Gdynia

(over 2 times); the "Radoskor" Shoe Factory in Radom (56.4 percent); the "Podhale" Shoe Factory in Nowy Targ (by 50.8 percent).

Temporary limitation of production capacity for a period shorter than to the end of 1982 occurred as a result of difficulties in obtaining supplies of raw materials and other materials, in 7 enterprises out of the 60 polled, including 4 chemical industry enterprises. An estimated decrease in the value of production on this account amounted in September to 1,781 million zlotys, which represented 16.1 percent of the value of sales of products of these enterprises; on the other hand, in August of this year it was 1,653 million zlotys, which represented 15.6 percent of the value of the production of these enterprises.

The number of persons employed in September of this year, as compared with September of last year, was 7.6 percent lower; on the other hand, in the January-September period, as compared with an analogous period of last year, the number of persons employed was 7.8 percent lower, while, at the same time, there was a 5.2 percent decrease in production. The value of industrial product sales per employee in the January-September period of this year as compared with an analogous period of last year, increased by 2.7 percent. It is worth noting that the number of persons employed was regarded as insufficient by 47 enterprises out of 60 polled. In 15 enterprises it is anticipated, moreover, that in October of this year there will be a reduction in the number of employees.

Most of the polled enterprises do not anticipate any change in the economic situation in October of this year as compared with September of last year. It is anticipated that in 15 enterprises the sales situation will be more favorable; on the other hand, 13 enterprises will experience greater difficulties in obtaining material and coproduction supplies than they did in September of last year.

9577

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ORGANIZATIONAL CHANGES IN AGRICULTURE MINISTRY NOTED

Ministry Personnel, Departments

Warsaw PRZEGLAD HODOWLANY in Polish No 4-5, Apr-May 82 pp 10, 11

[Compiled by Henryk Piekut]

[Text] I. Division of Tasks Among Management Members

1. Minister of Agriculture and Food Economy--Master Engineer Jerzy Wojtecki:

--setting forth the basic directions of agricultural and food economy development, establishing general principles for policy and implementation of ministry tasks;

--formulating the management system and organizational structures, executing the cadre and awards policy, cadre training and improvement;

--setting forth the directions of cooperative work with other nations.

2. Undersecretary of State, First Vice Minister of Agriculture and Food Economy--Prof Dr. hab. Jan Zaleski:

--assuring food industry development and productivity;

--development of agricultural science and education, coordination of scientific-research work;

--supervision of the introduction of economic reforms in the ministry.

3. Undersecretary of State--Dr. hab. Henryk Burczyk:

--assuring the development of crop and animal production and procurement;

--veterinary medicine;

--dissemination of progress in agriculture.



4. Undersecretary of State--Prof Dr. hab. Zdzislaw Grochowski:

--programming and planning the development of agriculture and the food economy, analysis of production outcomes and implementation of plans;

--formulation of price, payment and employment policies in the ministry, analysis of production costs and the economic profitability of agriculture and the food economy;

--formulating economic systems and economic tools for guiding the development of agriculture and food processing.

5. Undersecretary of State--Master Engineer Andrzej Kacala:

--affairs concerned with the development of technical service to agriculture and with land reclamation and supply of water to agriculture and rural areas;

--management of machines, means of transportation and equipment, fuel-power management, organization of the transport of agricultural products and food articles;

--land management.

6. Undersecretary of State--Master Engineer Stanislaw Szczepanski:

--accounting of agricultural goods and food processing;

--supplying food articles to the domestic market;

--food imports and exports;

--management of packaging and secondary raw materials, warehouse management.

7. General Director of the Ministry--Master Engineer Zdzislaw Stencel:

--water management and irrigation;

--flood protection;

--investment policy in the area of construction in the ministry, supply of materials.

II. Basic Areas of the Departments' Activities

1. Ministry Cabinet--Director Master Andrzej Nowak:

--coordination of matters connection with the Minister's execution of his functions and responsibilities with regard to the organs of authority and government administration;

--legal and organizational matters, matters of complaints and proposals and of ministerial inspection, coordination of cooperative work with other nations.

2. Cadre and Training Department--Director Master Wojciech Szyszkowski:

--workers' personal affairs, cadre policy in organizational units subordinate to the Minister;

--cadre training and improvement, employment of workers abroad.

3. Department of Crop Production and Procurement--Director Dr. Engineer Zenon Kazmierczak:

--formulating principles for increasing crop production (field, garden and on perennial green arable land);

--contracting and procurement of crop articles, accounting of crop production, seed management.

4. Department of Animal Production and Procurement--Director Dr. Engineer Jozef Luchowiec:

--formulating principles for animal production development, genetic improvement of animals, formulating principles assuring an increase in animal production;

--contracting and procurement of farm animals and animal products, accounts of animal production, fodder management.

5. Food Processing Department--Director Master Engineer Barbara Traczyk:

--development of processing industries, formulating principles assuring an increase in the production of food articles;

--production technology, norms of loss in the production process, management of raw materials and products.

6. Department of Trade Accounts and Sales--Director Master Stanislaw Jankowski:

--trade accounts of agricultural-food articles, supply of food articles to the domestic market, import and export of food articles;

--engineering material supply in the ministry, utilization of secondary raw materials.

7. Economics and Planning Department--Director Master Engineer Kazimierz Placzkiewicz:

--forecasting, programming and planning of the development of agriculture and the food economy and of individual divisions and sections, economic analyses, statistics and reporting;

--formulating economic systems and tools, guiding agriculture and the food economy, price policies.

8. Department of Finances and Reassessments--Director Master Mieczyslaw Gega:

--financial and credit policy of the ministry's organizational units, formulating the agriculture and food economic budget, financial accountancy and reporting;

--coordination of economic reassessments, analysis of the functioning of the economic-financial systems.

9. Department of Working Conditions--Director Master Ryszard Goclowski:

--employment and pay policies in the Ministry, collective work agreements;

--social affairs, industrial safety and hygiene.

10. Technology and Transportation Department--Director Master Engineer Wojciech Ratynski:

--mechanizing and energizing production, technical progress, management of technical equipment, fuel-power management, repair management, technical services, supply of technical equipment and spare parts;

--management of transportation in the ministry, transport organization;

--rationalization and inventiveness, patent protection and expertise.

11. Department of Land Management and Farm Equipment--Director Master Engineer Jan Kłopotowski:

--supervision of land management in the merger area, protection and recultivation, classification, records of soils, property sales on commune tracts;

--affairs connected with publishing, annulling, or changing administrative decisions connected with land management.

12. Department of Water Management, Land Reclamation and the Water Supply to Agriculture and Rural Areas--Director Master Engineer Wacław Redliński:

--programming and planning water management and irrigation and water management, programming and planning land reclamation and the supply of water to agriculture and rural areas, analyzing the implementation of plans and programs;

--managing water resources and meeting the water needs of the national economy, analyzing the implementation of plans and programs;

--administering the building objectives of water management, flood protection.

13. Department of Programming and Investment Policy--the Department is headed by the General Director of the Ministry Master Engineer Zdzislaw Stencel:

--investment policy in the area of capacity construction in agriculture, formulating conditions promoting the development of construction, including individual construction in rural areas;

--policy in the area of projects and type classification, analyzing the activity of construction planning offices and construction enterprises, analysis of investment effectiveness.

14. Department of the Science and Education of Agriculture--Director Master Marian Brzoska:

--affairs of scientific-research institutions, coordination of scientific research and training work, planning cooperative scientific-technical work with other nations;

--agricultural education, implementing factors connected with pedagogical supervision of the agricultural educational system;

--dissemination of agricultural progress, conducting affairs in the area of standardization, quality and units of measure.

15. Veterinary Department--Director Dr. hab. Henryk Lis:

--communicable animal disease control, defining the principles and methods of protecting the health of animals, establishing the principles of research on slaughter animals and meat;

--sanitary-veterinary supervision of food and other articles of animal origin;

--tasks of veterinary pharmaceuticals, production of veterinary medicines.

16. Administrative-Economic Department--Director Master Kazimierz Raclawski:

--financial, social, administrative and economic affairs of the Ministry, assurance of service to and protection of the Ministry's buildings.

#### Changes, Enterprise Organization

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA No. 18, 4 Oct 82 p 23

[Text] The introduction of the principles of economic reform in the Agriculture and Food Economy Ministry is progressing. In the first stage of organizational changes the central administrative boards, associations and head offices were eliminated. Voluntary associations began to form, and 10 obligatory ones were created, too. The plenipotentiaries of the Agriculture and Food Economy Ministry called upon during the transition period for supervisory affairs and for coordinating the activity of enterprises in individual sections will also end their activity.

The new organizational structure of the Agriculture and Food Economy Ministry will comprise independent enterprises for which the Ministry is the promoting organ. They make up 54 associations, of which 27 are national--including 10 obligatory associations appointed for [year illegible] and implementing the tasks assigned at this time to them.

As for the enterprises which have already transferred or will transfer by the end of this year to the supervision of promoting organs in the provinces, they are grouped into 80 voluntary associations at the district level, and in part at the provincial level, as, for example, the PPGR [State Farm Enterprise] associations. Voluntary district associations have been set up in agricultural, water, and land reclamation construction, in the technical service to agriculture and in state farm enterprises.

So far eight enterprises remaining under the direct supervision of the Agriculture and Food Economy Ministry have not become members of associations. They are: the alcohol industry enterprise "Polmos", the light tin products enterprise "Opakomet", the Food Pest Control Enterprise, the industrial-agricultural combine "Fructopol" in Lublin, the Kalisz Food Concentrates Works, the Engineering Material Supply Enterprise, the Agricultural REsearch and Development Enterprise, and the Research and Development Center for Agricultural Construction.

Establishments of scientific-research and scientific-technical subsidiaries and a few other establishments remain under the minister's direct supervision.

Among the 1769 enterprises in the Agriculture and Food Economy Ministry which employ over a million workers, many have passed over to the area of local economic activity in accordance with the 28 Sept 1980 joint resolution of the Council of Ministers and the State Council which concerns expanding the local authority of the organs of state rule and administration. First 544 state farm enterprises were transferred to the supervision of the governors. Next 126 water construction and land reclamation enterprises and 218 agricultural construction enterprises were transferred. By the end of the year 370 enterprises of technical service to agriculture will be transferred to the governors.

The 27 associations of sector enterprises on a national level are made up of:

1. Two voluntary associations of farm and fishing enterprises--the National Association of State Farm Enterprises in Warsaw, and the National Association of State Fishing Farms in Warsaw;
2. Seven voluntary associations of the food and fodder industry enterprises--the Association of Confectionery Industry Enterprises in Warsaw, the association of poultry-breeding production enterprises "Poldrob" in Warsaw, the Association of Lard Industry Enterprises in Warsaw, the Association of Beer Industry Enterprises in Warsaw, the association of herb industry enterprises "Herbapol" in Warsaw, the Association of Potato Industry Enterprises in Poznan and the association of the state enterprises "Fructol" in Warsaw;

3. Eight voluntary associations of service to agriculture and investment enterprises--the Association of Enterprises of Electrification and Technical Service to Agriculture in Warsaw, the National Association of Agricultural Construction Enterprises in Warsaw, the association of enterprises of water supply to agriculture "Wodrol" in Warsaw, the Association of Water Construction Enterprises in Warsaw, the Association of Water Construction and Land Reclamation Enterprises in Warsaw, the Association of Offices of Land REclamation Projects in Warsaw, the association of the mechanization of animal production enterprises "Meprozet" in Warsaw, and the National Association of Enterprises of Engineering Service to Agriculture in Warsaw.

Ten obligatory associations--the Association of Meat Industry Enterprises in Warsaw, the association of corn-milling enterprises "PZZ" in Warsaw, the Association of sugar industry enterprises "Cukropol" in Warsaw, the Association of the Fodder and Utilizing Industry Enterprises in Warsaw, the Association of Tobacco Industry Enterprises in Warsaw, the Association of Refrigerating Industry Enterprises in Warsaw, the Association of Enterprises of Animal Husbandry and Animal Sales in Warsaw, the association of enterprises of veterinary-zootechnical industry and supply "Biomet" in Warsaw, the Association of the Enterprises of Garden Crop Cultivation, Garden Seed Production and Nursery-Gardening in Warsaw and the Association of Crop Cultivation and Seed Production Enterprises in Warsaw.

The National Company of Food Concentrates Enterprises has also been established in Poznan.

9451

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NEW DRAFT LAW ON FOREIGN VENTURES IN YUGOSLAVIA

Zagreb VJESNIK in Serbo-Croatian 30 Sep 82 DELEGATSKI VJESNIK supplement p 3

[Text] Changes and additions to the Law on Investments by Foreigners in domestic labor organizations will make it possible for those making such contracts to do so more freely in mutual undertakings.

The Agreement on Investment will establish the total amount of resources necessary for implementing the goals of the investment, with the stipulation that part of the needed capital can be obtained on credit.

The investment agreement may be made by a labor organization at the time of its founding, if its founders agree to it.

An organization of associated labor can use foreign exchange without limitations when they are invested by a foreigner, under the condition that they be paid from foreign exchange income realized by mutual operations.

The agreement on investment can be made in any language that suits the partners, but the domestic labor organization must see that it is translated.

To solve problems that previous practices have brought to our attention, and to enable domestic organizations of associated labor to cooperate more successfully on a long-term with foreign firms, the Federal Executive Council has prepared and transmitted to delegates of the Yugoslav Assembly for consideration a Draft Law on changes and additions to the Law on Investments of Foreigners in Domestic Organizations of Associated Labor (AS 61). The proposed changes and additions are intended to enable parties to such agreements to invest capital more freely in joint ventures. Innovations are also proposed that relate to the subjects of joint investments and the roles to be played. At the same time, the changes and additions to the law in force would not change the capital regime of the organization in which investments are being made.

The rationale for the Draft Law states that heretofore, on the basis of the current law, foreigners have invested capital in various areas and many agree-

ments have been concluded, which shows that there is interest for this form of long-term cooperation between Yugoslav organizations of associated labor and foreigners. In 1981, however, investments from countries of the European Common Market, the EFTA and the United States fell sharply. The number of agreements rose from 8 to 18, but very small investments were involved, so that the purpose of the investments came into question.

Foreign firms and their associations from the regions listed, the rationale continues, anticipate that that cooperation will continue to decline, for several basic reasons. Primarily, it will be because joint investments are not attractive since they do not bring the expected profits. Another reason is that the transfer of technology that accompanies investments of a foreign firm requires adequate guarantees, but the firm is unable to insist on details related to production based on that technology. A third reason is that protecting of patent rights in Yugoslavia is not assured in harmony with international obligations that are assumed. Finally, foreign firms believe that cooperation is falling off because the operations of Yugoslav organizations are too institutionalized.

#### Agreement on Foreign Capital Investments in Domestic Organizations of Associated Labor

The proposed changes and additions to the Law on Capital Investments of Foreigners in Domestic Organizations of Associated Labor anticipates that an agreement on the total amount of capital necessary for attaining the investment goals will be established and that the investors may obtain part of that capital on credit, with joint risk. The credit capital would be repaid by the domestic organization which received the invested foreign capital, from the income earned by joint operations, before its division among the parties to the contract.

As an innovation, the draft law suggests that the agreement may stipulate the development elements of the basic organizations of associated labor in which the investment is made and the portion that during the period the contract is in force are to be designated for personal and mutual consumption, for expanding the material basis of operations of such an organization and for forming capital reserves for joint operations.

Another innovation is a provision that anticipates that an agreement on investment may be concluded by a newly established labor organization if its founders agree.

A special provision provides that in case circumstances arise after the conclusion of an agreement that make its execution more difficult, or approval of a new regulation changes the operating conditions of a basic organization of associated labor that affect implementation of the agreement to large measure, the contracting parties may change or supplement the investment agreement. Such changes shall be approved by the Federal Committee for Energy and Industry, on the basis of a previously obtained opinion of the appropriate republic or province agency.

## Use of Foreign Exchange Invested by a Foreigner

The proposed changes of the law in force also specify what is meant by decision-making on questions that relate to labor organization and operations and to increasing labor productivity. These refer to approval of decisions on the volume and structure of production by joint operations and the amount of capital needed for energy, raw materials, materials and other operating expenses, for current and capital maintenance, renovation and adaptation of basic investments for joint operations and the like, as well as sources for covering losses resulting from joint operations.

Provisions of the current law that relate to specifying conditions of establishing maximum levels of compensation for operations with invested capital are not included in the draft law. This change is intended to make greater freedom possible for such agreements. Specifically, the rationale states that remarks by investors have noted that such provisions create sharp limits on implementing investment agreements, because at the time agreements are made it is difficult to perceive and determine maximum limits for such compensation in accordance with capital accumulation in the domestic organization of associated labor, a particular group or branch of the Yugoslav economy or in world commerce.

As an innovation the draft law proposes that a basic organization of associated labor may use a foreigner's capital investment without restriction for purposes in the agreement, under the condition that the capital be repaid to the foreigner from foreign exchange income earned on the basis of that joint operation.

## The Language of an Agreement

Another innovation is the provision that anticipates that an agreement on investment may be concluded using the language that suits the parties to the agreement, with the stipulation that the domestic organization must translate and authenticate it with the signature of an authorized individual in the organization of associated labor.

It is anticipated that changes and additions to an agreement that foresee supplemental smaller investments in the production of the same sort of products of an already approved agreement between the same contracting parties, will be approved by the Federal Committee for Energy and Industry on the basis of a previously obtained opinion from the suitable republic or province agency concerning the justification and need for the changes and additions.

Also proposed is the elimination of the article of the existing law that relates to the existence and responsibilities of the commission that gives opinions on an agreement for investment.

To better inform agencies and organizations on the concluded agreements, the draft law suggests that the decision on recording an agreement on investment be transmitted to organizations of associated labor, national banks of republics and provinces where the organizations making agreements are situated, responsible republic or province agencies, the Yugoslav Economic Chamber, the Federal Customs Office and republic and province self-management interest communities

for economic relations with foreign countries on the territory of which the contracting organization is situated. This provision expands the provision of the existing law that provides only for the obligation of the Federal Committee for Energy and Industry to inform the parties to the agreement and the appropriate republic and province agency on recording an investment agreement.

12131

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YUGOSLAV AIR TRANSPORT IN FIRST HALF 1982

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 82 p 33

[Article by Prvoslav Milinkovic]

[Text] During the first 6 months of 1982, when Yugoslav Air Transport celebrated its 30th anniversary, 1,640,000 passengers, more than 11,000 tons of cargo and better than 500 tons of mail were carried. Despite difficulties in fuel supplies and foreign exchange liquidity problems, in the first 6 months of 1982 Yugoslav Air Transport realized traffic volume close to that of 1981. The number of passengers fell by 4 percent in comparison to the same period in 1981, but compared to the first half of 1980 the total number of passengers rose by more than 6 percent.

The total cargo in the first 6 months of this year grew by a quarter over the same period last year, and was 30 percent greater than in the first 6 months of 1980.

YAT airplanes in the first half of 1982 flew nearly 17 million kilometers, which approached the level of the same period last year and was 5 percent higher than the 1980 six-month total. This year the Yugoslav Air Transport fleet consists of:

13 DC-9-30s with 115 seats each;

9 B-727-200s with 167 seats each;

4 B-707-300s, two with 168 seats each and two with cargo configurations; and

2 DC-10-30s with 282 seats each.

Measured in available ton kilometers, in the first 6 months of 1982 YAT offered 325 million atkm, which is at the level of 1981 and 13 percent higher than in the first half of 1980. The volume of actual transport, measured as utilized ton kilometers, was 182 million utkm, 5 percent higher than in the first 6 months of 1981 and 33 percent higher than in the same period of 1980.

The relatively greater growth in utilization than in available service was made possible by increasing the use coefficient:

In the first 6 months of 1982, the coefficient of passenger cabin use was 58.9 percent (in 1981 the figure was 57.2 percent, and in 1980, 52.1 percent);

The coefficient of capacity used was 55.9 percent in 1982, compared to 53.7 percent in the first half of 1981 and 4.5 percent in 1980.

In terms of types of traffic, the volume of traffic in the first 6 months was as follows:

In regularly scheduled domestic traffic, more than 1 million passengers and 5,600 tons of cargo were carried. The number of passengers declined by 8 percent compared to 1981, while the cargo total grew by 23 percent.

In "Euromediterranean" regularly scheduled traffic, more than 400,000 passengers and 3,500 tons of cargo were carried. The number of passengers declined by 5 percent and the cargo total grew by more than 30 percent compared to 1981.

In regularly scheduled intercontinental traffic, more than 55,000 passengers were carried and 2,500 tons of cargo shipped. The number of passengers grew by 3 percent compared to the same period of the preceding year, while the cargo total was up by 11 percent. It is interesting to note that the transport work realized in carrying 55,000 passengers on intercontinental traffic totaling 540 million passenger kilometers was greater than the transport work in either domestic traffic, where 348 million passenger kilometers were provided, or in Euromediterranean traffic where 490 million passenger kilometers were provided to 408,000 passengers. This speaks for the high productivity of intercontinental traffic.

In charter traffic, YAT transported nearly 170,000 passengers in the first 6 months of 1982, which was one-third higher than the number carried in the same period of 1981.

Thus the physical indices for volume of work and utilization of YAT traffic in the first 6 months of 1982 show that traffic was stabilized in comparison with the preceding period, with a rather good coefficient of use. That should mean better traffic economics, but the very rapid growth in the highest expenses, such as fuels, airport taxes and overflight fees, and the rather gradual growth in income (with a mild fare increase compared to expenses) to a significant degree reduced the positive economic effects that could have been expected on the basis of the physical indices.

12131

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## WEST EUROPEAN AID IN BUILDING FACTORIES FOR RETURNING WORKERS

Zagreb DANAS in Serbo-Croatian 6 Jul 82 pp 22-23

[Article by Milovoj Pasicek: "Foreign Capital for the Excess Ones"]

[Text] An unusual news item went around the world quickly. It was also published by some of our newspapers. A certain shipyard in Sweden got into financial difficulties, and so the owners sought a solution in discharging the "excess" workers, especially foreigners. These included about a hundred Yugoslavs. The Swedish employers were surprised when our countrymen told them that they wanted to go home, but that the only problem was apartments. In fact, they believed that they would certainly find work in their specialty. Then a small miracle happened. The Swedes promised to buy them apartments, and furthermore assist them in obtaining employment in Yugoslavia. They did what they had promised, and this is why the news went around the world.

We have reported this unusual case in our introduction in order to show as clearly as possible the extent to which the so-called immigration countries like Sweden have begun to work seriously on resolving the very complex problems of unemployment, not just looking in their own back yards, but also beyond their borders, in the countries from which a labor force has been coming to them for years.

Naturally, our country is one which still has about 670,000 workers working temporarily in the developed countries, and is thus quite interested in this kind of division of responsibility in guiding worker migrations and ensuring an equilibrium in the European labor market. This is especially true at a time when no one is indifferent any more to what is going on in employment, because it now has the elements of a serious crisis. This is indicated by the fact that last year there were more than 25 million unemployed in the OECD countries alone.

Fund Number 2

Thus, the returnees are becoming a joint concern of both the country of immigration and the country of emigration. This was also stated in mid-April this year in Belgrade at a Yugoslav-Swedish round table on economic cooperation, or more precisely, a discussion concerning the establishment of a

Yugoslav-Swedish development fund. These funds would be used to finance the opening of new jobs in our country, and a considerable number would be reserved for our countrymen who are planning to return from Sweden. In the future, this fund should make it possible for favorable credits to be used to support investments by businessmen from both Sweden and Yugoslavia in the production programs of the undeveloped and high-emigration areas of Yugoslavia. Thus, the investments are joint, but the selection of what will be built is also a joint one.

It should be noted, however, that this is only the latest step in the already organized course of our cooperation with several countries. Yugoslav businessmen have not concealed this course. On the contrary, we were the first country in Europe to form a Fund for Financing Increased Employment in the Economically Underdeveloped and High-Emigration Areas of the SFRY (abbreviated as the Fund for Employing the Returnee Workers, and also as Fund Number 2).

This fund operates as part of the Fund for the Development of the Underdeveloped Republics and Kosovo. Although it was founded in 1978 and has actually been working for less than 2 years, its results are such as to encourage both our guest workers abroad and the governments of the countries in which they are employed. A considerable amount of foreign capital and domestic funds has already been collected and used to construct two new factories; the construction of another six is to begin soon.

#### FMO Leaders

Thus far the Fund for Employing the Returnee Workers has cooperated best with the Dutch Financial Society for the Developing Countries [FMO], which is headquartered in the Hague. Among the 14 million inhabitants of the Netherlands there are only 10.5 thousand Yugoslavs, which is only 1.5 percent, but in spite of this, this friendly country has not hesitated to give us a considerable amount of nonreturnable funds and favorable credits for the construction of various economic installations in the undeveloped areas of Yugoslavia. It is thus helping in a very straightforward manner to resolve the issue of unemployment and of bringing our people back home more quickly.

Back in 1978, the Netherlands helped to build two factories in our country, the enamel dishware factory in Struga (Macedonia) and the decorative paper factory in Rozaj (Montenegro). The total allocation that had to be made in Struga was about 120 million dinars, and in Rozaj, about 115 million dinars. We received nonreturnable funds from the Netherlands in the amount of 6 million guilders (about \$2.3 million), and the rest was obtained from the Fund for the Development of the Underdeveloped Republics and Kosovo. The factories have been completed and about 180 new workers have been employed in them.

We have stated that another six factories will be built in Yugoslavia with the help of the FMO, but instead of nonreturnable aid, the FMO is providing credits for them under very favorable conditions. These are credits with a repayment period of up to 15 years, while the initial payment can be

postponed for three years after the factory has begun production; the interest rates are only 5 to 8 percent.

#### 1500 New Jobs

After the experts from the Belgrade Fund for Employing the Returnee Workers collected good projects in the republics and provinces and offered them to the FMO, six of them were approved. In Prnjavor (Bosnia-Herzegovina), the children's clothing factory is operating successfully, and next to it one more section will be built. The investment is to cost 167 million dinars, and when the section is finished 132 new workers will find employment in it. It is not yet known how much, but the FMO will help with a favorable credit.

Slovenia will also use an FMO credit. It is not yet known for certain whether the \$2.5 million of the favorable credit will be used for the construction of a factory for processing fruits and vegetables, which would operate as part of Pomurka in Murska Subota, or for a factory for plumbing equipment in Stari Trg. It is estimated that this is a \$250 million investment, and 132 workers will also be employed in this case.

About 165 new workers should find employment in Zablje (Vojvodina), where a metalworking steel factory section will be built at the Majevic steel factory in Backa Palanka. The value of the investment is \$140 million, and the FMO will assist with a credit of \$1.4 million.

Due to assistance from the FMO in the form of a \$1.6 million credit, a factory for special sanitary equipment from quartz sand is to be built in Lipljan (Kosovo). It will employ 75 people, and the investment is 116 million dinars.

A hundred million dinars have to be obtained for the construction of a factory for equipment for the ventilation of stall areas, which Sever in Subotica intends to build in Srpska Crnja (Vojvodina). It will employ about 750 people, and the FMO will participate with \$2 million in credits.

The FMO intends to allocate a \$2 million credit as well for the construction of a factory for fittings and valves in Imotsi (Croatia). This factory from Djuro Djakovic in Slavonski Brod will employ 150 workers, and the entire installation will cost about 300 million dinars.

#### Others Are Following the Example

West Germany, Austria, France, Denmark, and other countries where a considerable number of our people are employed at first viewed the Netherlands' example with reservations, but then here and there initiatives were begun for similar cooperation with Yugoslavia.

Among the first of these, cooperation was established with the Danes, with the organization IFU [Fund for the Industrialization of the Developing Countries]. The IFU has already agreed in principle to provide \$7 million in financing for the construction of a factory for rubber mining transport

tracks in Kalesija (Bosnia-Hercegovina, Kosovo, Montenegro, and Macedonia. At least some of these will probably be financed by the Danish partner.

France will also join in this useful action for curbing unemployment. The Ministry of Labor has already been sent three programs for the construction of industrial sections in Serbia. It is amazing, however, how other countries where most of our people are living and working, especially Austria, Switzerland, and West Germany, have so far not become involved in this. For example, about 400,000 of our workers are working in West Germany but so far there has been no cooperation in the construction of new shops in Yugoslavia; probably when West Germany becomes involved, Belgium and the countries which are so far more or less remaining silent will start moving.

At any rate, after the April talks in Belgrade on Yugoslav-Swedish cooperation, Sweden was sent more than ten diverse proposals for the construction of production shops. Something will certainly be done. This is the reason for the daring prediction that by the end of this five-year plan, about 20 economic installations with about 6000 new jobs will be built in Yugoslavia through such cooperation.

#### The Future

Bringing our countrymen back home as soon as possible, and with the aid of foreign capital, sounds like a beautifully turned phrase. Due to the Fund for the Employment of the Returnee Workers, however, this is a reality which is promoting an increase in our exports. Judging by the Fund's plans, the outlook for employment in our country does not seem so bad; and there is something else that is very much in our favor.

An initiative has been begun to have the Fund for Employing the Returnee Workers, or as some people call it, Fund Number 2, join the European Fund for Reintegration. If these negotiations are successful,--and all the conditions exist for this--every year we will be able to use more than \$40 million from this European fund. Naturally, these are again favorable credits, which, it is estimated, would be sufficient, together with the funds of the Fund for the Development of the Underdeveloped Republics and Kosovo, to build ten small factories and other economic installations in Yugoslavia each year. This would also mean several thousand new jobs in all areas of our country.

The money is thus available, possibly even more than there are good projects. We say this because some projects are late, and some are deficient and superficial; such projects naturally do not pass through the sharp scissors of the creditors. The Belgrade Fund for Employing Returnees, the only one in Europe, is receiving projects from the republics and provinces; this means that the ones at the base should be more seriously concerned with what is being offered and how, so that we do not undermine the standing that we have achieved in the eyes of our friends from the Dutch FMO, or some other financial society, because as a result of its good work, the eyes of the countries that have problems similar to ours are already turned toward our Fund for Employing Returnee Workers.

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